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VOL. CLIII NO. 102 Wednesday, May 25, 1988 193rd Year

Today

Many banks are not charging corporate cash management customers enough for services, according to industry consultant John D. Shain, president of Littlewood, Shain & Co., Wayne, Pa. ____2

Mellon Bank said it has reached an agreement to purchase Backroom Systems Group, Monroe, N.C., a provider of microcomputer software for handling return items and other bank operations. ____2

John P. LaWare, President Reagan's choice for the Federal Reserve Board, is seen as a compromise between a Republican administration in its last days and a Democratic-controlled Senate willing to wait to fill the post. ____2

The Fed granted the Bank of New York a 45-day extension of its tender offer for Irving Bank Corp. Bank of New York immediately extended its offer until Friday. ____3

Executive Changes ____ 19
In the News ____3
Index ____9

COMMENT

The Southeast — a region whose banks are showing healthy profits and capital-to-assets ratios — has strong economic reasons for advocating full national interstate banking laws, says Robert P. Forrestal, president of the Federal Reserve Bank of Atlanta. ____4

TECHNOLOGY

The written signature is making a comeback as the most desirable method of ascertaining a person's identity. An American Banker *Special Report looks at developing technology for signature verification. It begins on page 5.*

The implications of signature verification systems are vast for bankers, retailers, and other corporations that fear their systems or premises are vulnerable to fraud or unauthorized entry. Although it is still viewed as a long-term proposition, vendors are increasingly going public with products and plans. ____5

Two French merchant banks soon will begin testing a signature verification system as a security measure in their wire transfer rooms. TITN is the Paris-based computer engineering firm developing the system. ____5

Cheque Alert Inc., New York, is promoting DigiScan. Unlike a dynamic system, which validates "live" signatures as they are written, DigiScan takes its measurements from signatures already on paper. ____6

Worth Repeating

The White House blew it by waiting too long. It's politics. Politics gets very nasty before an election.

Margery Waxman, a partner with the law firm of Sidley and Austin, on President Reagan's announcement that he would nominate John P. LaWare for the Fed seat that has been vacant since December 1986. [Page 2]

An American Banker Special Report

17-Nation Pact Unifies Payment Systems

By JOHN J. DUFFY
Third of a Series

LONDON — For Europe Inc. to get its business off the ground after 1992, European bankers are going to have to do more than just compete effectively. In some areas they are also going to have to cooperate.

One of the areas that will require the greatest amount of cooperation is payment systems. For, if all the rhetoric about selling to 323 million consumers across Europe is to amount to more than just hot air, those consumers are going to need a quick and efficient way to make payments across borders. By 1992, bankers agree, that means paying with plastic.

Plastic cards — credit, debit, cash, and charge cards — have made dramatic inroads in Europe since the early 1970s, but only in a patchwork way.

European 1992 Countdown

Countries with a bustling tourist trade such as Spain and France have moved into the plastic age with a vengeance, creating universal electronic systems that accept cards for everything from groceries to traffic tickets. In other countries, such as West Germany and the Netherlands, major banks have blocked the introduction of mass-market payment cards and consumers still make 90% of all their retail purchases with cash.

With the great push toward 1992, however, the drive to overhaul the European payments structure has begun to pick up speed. Last October, 40 banks in 17 countries that are members of the European Council for Payment Systems agreed to a document known as the European Accord.

The accord encompasses the 12 European Community countries, Scandinavia, Switzerland, and Austria. It sets a plan in motion by which banks hope to make all their payment cards and systems compatible by the early 1990s.

The goal initially will be complete card compatibility in automated teller machines. By the early 1990s, bankers say this could mean a common ATM network of 40,000 machines stretching from the Atlantic Ocean to the Aegean Sea. Ultimately the plan is to extend

European Accord: Page 22 ➡

FROM THE REGIONS

THE MIDDLE ATLANTIC

Banks, Thrifts Wage Turf Wars As Eastern Economy Heats Up

By ROBERT TRIGAUX
Washington Bureau

WASHINGTON — The robust economy of the Middle Altantic region is enabling banks and savings institutions to attack each others' turf more aggressively.

The diversity and strength of businesses have attracted the interest of savings institutions, which are expanding their commercial lending portfolios. Yet some commercial banks, recognizing thin lending margins to corporate customers, are anxious to attract more stable consumer banking deposits.

Business lenders and financial analysts remain gung ho over the economic climate from Richmond, Va., to New York. Merrill Lynch analyst Virginia Adair sees a shift "toward capital expansion and weakening of

From the Regions: Page 18 ➡

Fed Clarifies Rule On Underwriting Of Stocks Abroad

By JED HOROWITZ

NEW YORK — The Federal Reserve Board has clarified the extent to which subsidiaries of bank holding companies can underwrite equity securities overseas.

Banking attorneys disagree, however, on whether the letter signals a more liberal view of banks' securities powers by the Fed.

The interpretation was contained in an unpublished letter to Security Pacific Corp. dated April 18. The letter approved the bank company's request to add capital to its London brokerage

Fed: Page 18 ➡

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May 25, 1988, American Banker

Renewed Push Needed for National Interstate Banking

The following is excerpted from an address delivered March 15 by Robert P. Forrestal, president of the Federal Reserve Bank of Atlanta, to the Big Bend chapter of the Bank Administration Institute in Tallahassee, Fla.

□

AS YOU ALL KNOW, bankers in the Southeast stood out as leaders in promoting the spread of interstate banking earlier in this decade. Florida and Georgia were among the first states to pass laws allowing bank holding companies from other states to purchase banks within their borders.

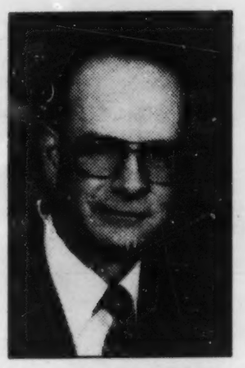
This type of state banking legislation has also been adopted by other southeastern states. It carried the condition, however, that this privilege should be extended essentially within the immediate Southeast region. Banks from outside the region are still barred from entry.

While the regional compact arrangement was a progressive move at the time, the momentum of geographic deregulation has shifted to national rather than regional arrangements. Of the 40 or so states that have some form of interstate banking legislation on their books, seven permit unrestricted entry by holding companies from other states.

A few others allow entry by banks from reciprocating states anywhere in the nation. By 1990, legislation now in force in about half the states will open their borders entirely to nationwide banking — or at least allow such reciprocal arrangements.

Clearly, the most efficient way to proceed toward nationwide interstate banking would be for Congress to enact such legislation. However, I do not think we will see any significant movement on the part of lawmakers in Washington in the near future.

For that reason it may be time for state legislatures in the Southeast to consider taking the initiative again and allowing entry to banks from outside the region. I think there are several reasons why further progress toward interstate banking makes good sense, from the standpoint of both bankers and consumers.



The Southeast's banks are in excellent shape to meet competition from outside institutions. We can see this most easily when we compare banks by . . . capital rather than size.

— Robert P. Forrestal
President
Federal Reserve Bank of Atlanta

Local Character Not in Jeopardy

Let me begin by answering the argument of most opponents of nationwide interstate banking in the Southeast and elsewhere. These critics say that the local character of our banking markets should be protected against manipulation by outsiders. They view these outsiders as insensitive to local needs.

In many ways, this is a reincarnation of earlier arguments against the expansion of bank holding companies within the states. Owners of small banks staunchly supported such a view because they feared they would not be able to compete against large, urban-based institutions.

Indeed, a similar logic — one that was even more protective — previously led to prohibitions against the opening of branch banks outside a parent bank's home counties. This provision is still on the books in some states.

Just as these past concerns proved to be unfounded, I feel there is no reason to believe that well-managed banks in our region would be damaged by the onset of nationwide interstate banking. The Southeast's banks are in excellent shape to meet competition from outside institutions.

We can see this most easily when we compare banks by measures of capital rather than size. It is true that only a few of our banks rank among the top 25 in the nation in total assets.

Profitability Paints the Picture

However, southeastern banks perform especially well when measured according to standards such as profitability and capital-to-asset ratios, which give a better picture of relative strength. Our large banks actually begin to look dominant when we consider the prices of their stock.

Their consistent good performance implies that investors remain bullish on our region's banking institutions. The access to new markets that would come from liberalizing current restrictions could allow banks here to become even stronger.

At the same time, I have no concern that the responsiveness of banks to local conditions would disappear. Over the years, experience has demonstrated the need for close-up knowledge of local markets in making loans.

Banks headquartered outside a local area have strong incentives to use people with such expertise. Otherwise they may not be able to compete successfully in local markets.

Rather than becoming insensitive, it is much more likely that the outsiders will bring in new products and new ways of doing business. These innovations in turn will increase the variety of services available in the community and make for more competitive pricing.

Local banks must adapt to new competition. But, when faced with challenges like these, most have shown that they can adapt successfully. At the same time, recent history in Atlanta, Florida, and elsewhere provides ample evidence that new banks will quickly be established to take up the slack if existing institutions fail to meet the needs of local markets.

Competition Brings Benefits

For these reasons, I do not believe our banks and the communities they serve have any real need to fear competition from outside banks. In addition, there are tangible benefits that nationwide interstate banking would bring to consumers and businesses in this region — indeed, throughout the country.

The most compelling case for broader interstate powers is that greater competition among existing banks and the potential new entrants into local markets would tend to enhance banking products and prices for all of us. This would be true even for individuals and businesses in areas where no interstate banking firm actually set up shop. Just the possibility that such a competitor was waiting in the wings to pick up any slack in service would tend to enforce market discipline on existing banks.

When we add up the likely effects of full interstate banking, the benefits seem to outweigh the costs. Banks in the Southeast have much to gain from further developing their links to money and capital markets outside our region. •

Our banks also have much to lose if they are left behind by financial institutions in other states and regions that are more directly and efficiently strengthening their integration to the nation's and the world's financial networks. Thus, I feel it is time to make a renewed effort to achieve full geographic deregulation. ■

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LETTER TO THE EDITOR

Mutual Fund Rule Changes Would Not Usurp SEC Authority

To the Editor:

I am concerned that the story titled "Comptroller May Broaden Fund Powers," which appeared in your May 19 edition [page 1], may mislead your readers into thinking that this is a new idea to give banks new mutual fund powers beyond the reach of Securities and Exchange Commission regulation. In fact, changes in the rules governing common trust funds have been under consideration for the for the past six years. These changes would be entirely consistent with existing law.

In 1982, the Office of the Comptroller of the Currency published a notice in the *Federal Register* asking for comment on several parts of our trust fund regulation, including advertising of common trust funds. In January 1983, the *American Banker* reprinted a speech I gave on this same subject. In the speech, I noted that we were currently drafting regulations on commingled investment funds that would include, among other things, modification of the advertising prohibition and modification of the management fee provision.

The Comptroller's office suspended action on these regulatory changes pending the outcome of extensive litigation on commingled individual retirement accounts. However, in late 1986, after four favorable court rulings, the Comptroller's office again began drafting a proposed rule on this subject. This effort was repeatedly noted in the Comptroller's semiannual regulatory agenda, which was published in the *Federal Register*. I have also continued to mention in speeches that we were drafting this proposal.

Most importantly, I believe the statements made by the Investment Company Institute in this story misrepresent the situation. The Comptroller's draft proposal would not change existing legal requirements that common trust funds be offered for fiduciary purposes and not solely for investment purposes. We have repeatedly said, and the courts have agreed, that banks may advertise any service they may lawfully offer. The removal of advertising limitations for common trust funds would not allow banks to advertise services (such as garden-variety mutual funds) that they may not offer under current law.

In addition, the proposal would not usurp in any way the SEC's authority to regulate bank collective investment funds to the extent allowed under the federal securities laws, just as the SEC now regulates collective IRA funds offered by banks.

The proposed rule is still in draft form. Before it can be published for comment, it must be reviewed and approved by senior Comptroller officials and then submitted to the Treasury Department and the Office of Management and Budget for their approval.

Dean E. Miller
Deputy Comptroller
Office of the Comptroller
Of the Currency
Washington

May 25, 1988, American Banker

European Accord Seeks to Unify Payment Systems

Continued from Page 1

this reciprocity to payment cards accepted by retailers, creating the first international cashless shopping network.

"The objective is to widen the choice of consumers without losing the competitive edge among banks," said Ben van Eldik, president of the European Council and a director of the Dutch cooperative bank, Rabobank Nederland.

The accord has been greeted with some praise and a good deal of suspicion. It has been praised as the culmination of 10 years of talks within the European council on ways to achieve greater cooperation on payments systems. It has aroused suspicion because it touches on old and bitter rivalries between the existing payment systems and the banks that stand behind those systems.

The major rivals in Europe today are Eurocard, a charge card system prevalent in the northern countries; Visa, the global payment system that is dominant in the south; and Eurocheque, a paper-based check-guarantee system with long-standing ties to the German banks.

Eurocard International, headquartered in Brussels, is 15% owned by Mastercard International and 35% by Eurocheque International. Eurocard/-Mastercards are issued under the name of Access in Britain and Carte Verte in France.

Visa International is an evolution of the BankAmericard launched in 1958. In Europe, the Middle East, and Africa, Visa is now a local autonomous unit run by a board of Visa banks in the three areas. Headquarters are in London.

Eurocheque International was created in 1968 by Dr. Eckart van Hooven of Deutsche Bank to provide a standard procedure for check cashing at banks in 15 countries. Today most banks in Europe issue uniform Eurocheques and Eurocheque cards. The cards are used as check-guarantee instruments and also in a 3,120-machine ATM network. Headquarters are in Brussels.

At the moment, the accord remains an agreement between banks: the payment systems operators themselves have been kept out of the discussions. Yet the bankers realize that if a common European payments network is ever to come into being, then the existing systems and their vast telecommunications and data processing facilities must form the heart of it. Therein lies the source of much of the current discord surrounding the European Accord.

"The orthodox view is that the payment systems are owned by the banks and the banks should make all their assets sweat, including the payments systems," said John Buxton, operations director at the Association for Payment Clearing Services in London and the secretary to the European council.

The accord in that sense is very much a declaration of independence by the European banks. As the single European market begins to take shape in the next five years, many of these banks say they will no longer be content to play second fiddle to the payment systems — especially to payment systems that are still perceived in some circles to be controlled by Americans.

Accord Requires Reciprocity

The accord is more a statement of intent than a technical blueprint of how the system will work. At its heart, however, are the twin concepts of proprietary-card reciprocity and systems-based reciprocity.

Reciprocity for proprietary cards — that is, cards issued by banks largely for use in ATMs — will be by far be the easiest of the two to achieve. The accord envisions that banks issuing ATM cash cards will emboss them with a new European logo.

The logo will also be displayed on the ATM machines themselves and at teller windows of banks that are participants in the accord. The result is that cardholders need only look for the logo to know they can get cash, in the local currency, anywhere in Europe.

Certain software systems will have to be rewritten and banks will have to decide what fees they will charge for servicing each other's customers. But bankers say these are minor problems than can be dealt with fairly quickly.

"The ATM side of things is closer to achievement because the banks can do it themselves," said J. Christopher Wathen, payments services director at Midland Bank. "Eftpos is further away because our different national systems are at vastly different stages of development."

Eftpos, or electronic funds transfer at the point of sale, is indeed the long-term objective of the European Accord. It is envisioned that in the future the major European payments systems may also choose to emboss their cards with a European logo. Retailers belonging to all these systems would also display the logo.

Thus, in the grand vision of the accord, all the major payment systems in Europe would be brought under the European umbrella. Visa merchants would accept Eurocards. Thousands of Eurocheque merchants in central Europe would accept credit cards for the first time.

Building an Electronic Gateway

And most important, an electronic gateway would be built between Visanet, the Visa processing system, and European Payment System Services, the Eurocard system, allowing European banks access to the entire payment system infrastructure.

In practice, the European Accord — like most grand visions — will be difficult to implement. After decades of intense competition, the prospect of Europe's payment systems cooperating with each other prompts reactions ranging from uncertainty to outrage. In particular, banks that already possess successful card operations see little reason to add a new logo to their cards.

"If it adds value for our customers, of course we'd look at it," said Seymour Fortescue, director of U.K. retail services at Barclays Bank PLC. "But it will have to give us coverage in a lot more merchants if it is to add value," he said. Barclays is one of the largest Visa card issuers in Europe.

Reaction within the Visa organization has been less equivocal. Visa executives in London say the accord is a blatant attempt by one group of bankers who are either trying to gain control of the Visa system or to slow its development until they can come up with a competing system of their own.

"We are talking about the Germans — specifically the Deutsche Bank — and the Dutch. What they want to do through the plot of achieving reciprocity is to create a single European system and absorb everybody else," said Joao Ribeira da Fonseca, chief general manager of Visa International for Europe, the Middle East, and Africa. "Their strategy of going through a political game to absorb us is not going to work," Mr. da Fonseca said.

At Eurocard the reaction was friendly but guarded. "The good news as far as Eurocard is concerned is that bankers are thinking more and more in terms of cards," said Ann Cobb, managing director of Eurocard in Brussels.

Bank Call Notice

Reserve District No. 2
CONSOLIDATED REPORT OF CONDITION OF

Bankers Trust Company

of New York, New York
and Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 1988 published in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS

	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 2,539,683
Interest-bearing balances	7,309,566
Securities	3,356,226
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds sold	886,530
Securities purchased under agreements to resell	4,842,184
Loans and lease financing receivables:	
Loans and leases, net of unearned income $24,467,173	
Less: Allowance for loan and lease losses 1,275,581	
Loans and leases, net of unearned income and allowance	23,191,592
Assets held in trading accounts	9,106,788
Premises and fixed assets (including capitalized leases)	415,152
Other real estate owned	2,581
Investments in unconsolidated subsidiaries and associated companies	102,775
Customers' liability to this bank on acceptances outstanding	2,706,312
Intangible assets	2,000
Other assets	3,211,499
TOTAL ASSETS	$57,672,888

LIABILITIES

Deposits:	
In domestic offices	$10,317,417
Noninterest-bearing $ 5,080,867	
Interest-bearing 5,236,550	
In foreign offices, Edge and Agreement subsidiaries, and IBFs	19,855,833
Noninterest-bearing $ 243,434	
Interest-bearing 19,612,399	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds purchased	4,300,901
Securities sold under agreements to repurchase	6,852,503
Demand notes issued to the U.S. Treasury	350,000
Other borrowed money	7,598,058
Mortgage indebtedness and obligations under capitalized leases	58,999
Bank's liability on acceptances executed and outstanding	2,706,380
Notes and debentures subordinated to deposits	333,333
Other liabilities	2,678,578
TOTAL LIABILITIES	55,052,002

EQUITY CAPITAL

Common stock	401,667
Surplus	486,321
Undivided profits	1,738,562
Cumulative foreign currency translation adjustments	(5,664)
TOTAL EQUITY CAPITAL	2,620,886
TOTAL LIABILITIES AND EQUITY CAPITAL	$57,672,888

I, Harold E. Reynolds, Vice President of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

HAROLD E. REYNOLDS

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Charles S. Sanford, Jr.
Philip M. Hampton
Edward A. Lesser
} Directors.

Bank Call Notice

Reserve District No. 2
Consolidated Report of Condition of

Irving Trust Company

of New York, New York 10015,
and Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 1988, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

Assets	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
(a) Noninterest-bearing balances and currency and coin	$ 1,219,836
(b) Interest-bearing balances	1,759,219
Securities	1,375,546
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
(a) Federal funds sold	159,500
(b) Securities purchased under agreements to resell	513,357
Loans and lease financing receivables:	
(a) Loans and leases, net of unearned income $13,200,434	
(b) Less: Allowance for loan and lease losses 653,869	
(c) Loans and leases, net of unearned income and allowance	12,546,565
Assets held in trading accounts	1,213,397
Premises and fixed assets (including capitalized leases)	441,711
Other real estate owned	45,669
Investments in unconsolidated subsidiaries and associated companies	304,294
Customers' liability to this bank on acceptances outstanding	678,890
Intangible assets	15,263
Other assets	694,965
Total assets	**$20,968,212**
Liabilities	
Deposits:	
(a) In domestic offices	$ 7,245,692
(1) Noninterest-bearing $4,261,314	
(2) Interest-bearing 2,984,378	
(b) In foreign offices, Edge and Agreement subsidiaries, and IBFs	6,268,391
(1) Noninterest-bearing $ 171,827	
(2) Interest-bearing 6,096,564	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
(a) Federal funds purchased	2,158,994
(b) Securities sold under agreements to repurchase	1,291,952
Demand notes issued to the U.S. Treasury	61,115
Other borrowed money	1,363,801
Mortgage indebtedness and obligations under capitalized leases	11,317
Bank's liability on acceptances executed and outstanding	692,083
Notes and debentures subordinated to deposits	372,600
($37,600,000-8½% subordinated notes due 2002, principal payments of $2,400,000 due annually 1988 through 2001 and $4,000,000 in 2002	
$100,000,000-12⅜% subordinated note due 2007, principal payments of $6,000,000 due annually 1992 through 2006 and $10,000,000 in 2007	
$50,000,000-floating rate subordinated note due 1996, principal payments of $25,000,000 due in 1992 and 1996	
$185,000,000-floating rate subordinated capital note due 1997)	
Other liabilities	749,669
Total liabilities	**20,215,614**
Equity Capital	
Perpetual preferred stock	75,000
Common stock	272,876
Surplus	236,074
Undivided profits and capital reserves	163,181
Cumulative foreign currency translation adjustments	5,467
Total equity capital	**752,598**
Total liabilities and equity capital	**$20,968,212**

I, Anthony R. Burriesci, EVP & GC, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

A. R. Burriesci

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Joseph A. Rice
Peter C. Palmieri
David G. Taylor
} Directors

Plastic Cards on the Continent

Yearend 1986 (in thousands)

	France	Germany	Italy	The Netherlands	Sweden	United Kingdom
Visa	8,600	$110	1,200	30	350	12,120
Eurocard/Mastercard	6,200	470	600	125	700	9,850
American Express	410	470	280	130	110	950
Diners Club	170	250	180	70	10	280
Retailer Cards	5,000	700	600	150	3,000	15,000
Total	**20,380**	**2,000**	**2,860**	**505**	**4,170**	**38,200**

Source: "The Retail Banking Revolution" by Dimitri Vittas, Patrick Frazer, and Thymi Metaxas-Vittas.

"What is lacking are the details."

The details will indeed be troublesome. At the pan-European level, the major problem is how to cooperate without breaking European commission rules on free competition. The accord has angered Visa and American Express, which have called it discriminatory and anticompetitive. The commission's antitrust division, Direction Generale IV, is looking into the allegations.

The problems stem from parts of the accord that appear to discriminate against non-European cards and non-European institutions. For example, its says cards issued outside Europe may be eligible for European reciprocity "only with the collective agreement of the participating banks." European bank participants must also adopt "a common position for relations outside Europe" the accord states.

To American Express, with three million cardholders in Europe, this language smacks of a cartel. "The European Accord as it is currently proposed is not procompetitive, and we remain opposed to it," said James T. Larkin, an executive vice president at American Express. "We will only support an accord which provides for open and shared networks on an open and shared basis."

Eurocheque Cards

Yearend 1986

	No. of Cards (thousands)
Austria	1,950
Belgium	2,800
France	9,200
Germany	20,500
Italy	1,200
Netherlands	2,600
Sweden	6
Switzerland	1,300
United Kingdom	1,500
Other Countries	535
Total	**41,591**

Source: "The Retail Banking Revolution" by Dimitri Vittas, Patrick Frazer, and Thymi Metaxas-Vittas.

Backers of the accord admit to some astonishment at the uproar the document has produced. They say that banks that are a party to the accord will still compete with each other by offering different products and services. And the payment systems will be free to price their network services in any way they choose. European bankers say once the service is up and running American Express will probably be welcomed — at a price.

"We do not have the intention to diminish competition or to build a European cartel," said Mr. van Eldik of Rabobank. "And we certainly could not forbid any European bank from making an arrangement with American Express. That is ridiculous."

Mr. van Eldik added that the language of "collective agreements" and "common positions" in the accord is only to protect European banks from being forced to accept cards they don't want. It does not, he said, forbid banks from making third-party arrangements.

"You should not oblige a Belgian bank to accept a Visa card issued in Japan just because a Spanish bank has agreed to," he said. "That is a matter for bilateral agreements."

Harmonizing Fee Structures

Another major problem for the accord is harmonizing widely different fee structures. Eurocheque — widely used in Germany, the Netherlands, Belgium, and Luxembourg — currently costs retailers nothing. The card systems require merchants to pay a fee based on a percentage of the transaction — the merchant discount fee.

Experts say that in any shared system the merchant fee would probably gravitate to a midpoint between the zero Eurocheque base and what the other card issuers charge. The result will be unpopular on both sides. Costs for Eurocheque merchants will undoubtedly rise and revenues for Eurocard, Visa, American Express, and others will probably fall.

Amid all the problems that must be overcome, experts say the technical problems of making different systems interact with each other are probably the least onerous. "We could interface with Visa in probably a week if there was the will to do it," said Eurocard's Ann Cobb.

At the moment, she admits, the will does not exist. "The card market in Europe is not a developed market," she said. "One way of competing in that market is through your systems, so no one is anxious to share those systems."

Mr. da Fonseca of Visa is adamant about not sharing. "They have nothing to offer us," he said, referring to the Eurocard/Mastercard organization. "I am not going to build a bridge or a gateway to the sea."

Bankers said, however, that the decision of whether the payment systems will participate in the accord will ultimately not be made by Ms. Cobb or Mr. da Fonseca. It will be made, they say, by the bankers themselves who sit on the boards of directors of each organization.

"If we as bankers want Visa and Eurocard to build an interface, it will happen," said Mr. van Eldik of Rabobank. "If we as bankers are determined to create this thing to help our customers and ourselves, it will be created."

Next: Although bankers in Switzerland have long recognized the need to participate in a unified European financial system, Swiss political observers say their nation's habit of neutrality appears too deeply ingrained for it to accept membership in the European Economic Community.

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Chase Account Offers Rising Rate

NEW YORK — Chase Manhattan Bank has introduced a savings account that pays a market rate and offers a yield that increases over time — provided no withdrawals are made from the account.

"This product rewards savers," said Michael S. Cassidy, a Chase senior vice president. "Instead of 'promotional' rates — which often confuse customers — we are offering a competitive rate with a feature that increases the yield for people who save over a period of time." Interest on the account, which Chase has dubbed Dividend Savings, is now at 6.25%.

In the quarter a customer opens a Dividend Savings account, the interest earned is 6.25%, with a yield of 6.45%. If there are no withdrawals, there is a "dividend" equal to 2% of the interest earned the next quarter — raising the yield to 6.58%. In successive quarters, if there are no withdrawals, the "dividend" increases to 4% of earned interest — producing a 6.71% yield.

Dividend Savings requires a minimum deposit of $1,000. And the account's interest rate is subject to change quarterly. ■

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DAILY FINANCIALS

Tuesday May 24, 1988

Money Market

Federal funds range 7 1/16%-7⅛%
Prime rate (5/12/88) 9.00%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral (5/23/88) 8.25%

Bankers acceptances offering rate, discount (5/24)
30 days: 7.00 60 days: 7.07 90 days: 7.13
120 days: 7.18 150 days: 7.27 180 days: 7.27

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (5/24)
14 days: 6.55 30 days: 6.75 60 days: 6.90
90 days: 7.05 120 days: 7.10 150 days: 7.25
180 days: 7.30 270 days: 7.55 360 days: 7.65

Commercial paper, dealer Aaa, discount (5/24)
30 days: 6.95 60 days: 7.10 90 days: 7.15

Commercial paper, directly placed, discount (5/24)
5-14 days: N.A. 15-29 days: N.A.
30-59 days: N.A. 60-89 days: N.A.
90-179 days: N.A. 180-270 days: N.A.

Treasury-bill rates, secondary market, bid (5/24)
90 days: 6.32 180 days: 6.70 1 year: 7.02

Eurodollar deposits, London bid (5/24)
Overnight: 6⅞ 7 days: 7 3/16 1 month: 7 3/16
3 mos.: 7 7/16 6 mos.: 7 11/16 1 year: 8 3/16

NIBOR: 7.75% **LIBOR:** 7.813%

The Bond Buyer Municipal Bond Index

	5/24/88	5/23/88	5/17/88
Index	86.30	86.26	87.20
Yield to Par Call	8.51	8.53	8.41
Yield to Maturity	8.24	8.25	8.16

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
June '88	93.62	93.58	93.59	+ 2	6.41
Sept.'88	93.24	93.20	93.22	+ 1	6.78
Dec. '88	93.00	92.96	92.99	+ 2	7.01
Mar. '89	92.79	.....	92.79	+ 2	7.21
Jun. '89	92.61	92.58	92.59	+ 2	7.41
Sept.'89	92.46	92.44	92.45	+ 2	7.55
Dec. '89	92.33	.....	92.32	+ 3	7.68
Mar. '90	.....	.....	92.20	+ 3	7.80

As of the previous day's close; Total no. of contracts traded: 4,593 total open interest: 28,396 and change in open interest: – 631

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
May 24 :	258.8	1988:	265.6	227.7	258.8
May 23 :	255.3	1987:	401.7	212.0	234.6
May 20 :	255.1	1986:	388.7	331.2	331.3
May 19 :	249.2	1985:	344.2	242.7	344.2
May 18 :	255.5	1984:	269.6	178.4	246.3

* Based on midday prices.

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The offer is made only by the Offering Circular.

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$150,000,000

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(Interest payable May 15 and November 15)

Price 98.675%
plus accrued interest from May 25, 1988

Copies of the Offering Circular may be obtained in any State from the undersigned and such other dealers as may lawfully offer these securities in such State.

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Merrill Lynch Capital Markets

May 19, 1988